companies are evaluating the possibility of setting up overseas development centre in China with a view to address the needs of regional markets.

Export growth rate of Indian software

2043. SHRI S. RAMACHANDRAN PILLAI: Will the Minister of INFORMATION TECHNOLOGY be pleased to state:

(a) whether it is a fact that the Indian Software exports growth rate is expected to go down during the year 2001-2002 in comparison to the previous year;

(b) if so, to what extent; and

(c) what are the reasons therefor?

THE MINISTER OF INFORMATION TECHNOLOGY (SHRI PRAMOD MAHAJAN): (a) No, Sir.

(b) and (c) Do not arise.

Down fall of Information Technology Sector

†2044. SHRI JANESHWAR MISHRA: Will the Minister of INFORMATION TECHNOLOGY be pleased to state:

(a) whether it is a fact that India has been continuously lagging behind in the field of Information Technology; and

(b) if so, the action Government are taking to promote Information Technology?

THE MINISTER OF INFORMATION TECHNOLOGY (SHRI PRAMOD MAHAJAN): (a) No, Sir.

(b) Various incentives provided by the Government, to promote IT industry are given at Statement.

Statement

Incentives to IT Sector

1. Export Promotion Capital Goods Scheme (EPCG) has been rationalised and extended uniformly to all sectors without any threshold limit on payment of 5% duty.

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†Original notice of the question was received in Hindi.

2. Approvals for all foreign direct investment proposals relating to the Information Technology Sector, with the exception of Business-to-consumer (B2C) e-commerce are under the automatic route.

3. Powers of approval of the Designated Officers of MIT for implementation of STP and EHTP Schemes have been further enhanced up to US$ 20 million.

4. DTA access upto 50% of the FOB value of export is permitted for electronics hardware units under EOU/EPZ/EHTP Schemes and the software units under EOU/EPZ/STP Schemes. Broadbanding is permitted in the DTA sales of hardware units for items covered in the Letter of Permission.

5. Accelerated depreciation norms for computers and computer peripherals for electronic units under Export Oriented Schemes (EOU/EPZ/STP/EHTP) have been enhanced. These shall stand depreciated to overall limit of 90% over a period of 3 years instead of around 5 years earlier.

6. Special Economic Zones are being set up to enable hassle free manufacturing and trading for export purposes.

7. Value addition norms for Rupee exports to Russia reduced from 100% to 33% under Advance Licensing Scheme.

8. In the Budget 2001-02, the peak rate of customs duty continues @ 35%. Customs duty surcharge @ 10% has been abolished on all imports, in general but Special Additional Duty (SAD) @ 4% continues on all imports, except specific exemptions. In the 2000-01 Budget, Customs duty on Computers and Peripherals had been reduced from 20% to 15% and continues to be same. The Customs duty on all storage devices, integrated circuits, microprocessors, data display tubes and deflection components of colour monitors also continues at 0%. In the 2001-02 Budget, Customs duty on Information Technology Agreement (ITA-1) items of WTO (IT and Telecom products) has been reduced from existing 20-25% to 15%. The concessional rate of customs duty for specified raw materials for the electronics industry continues. Customs duty on parts of Telecom reduced to 5%. 32 Items

(additional) of Capital Goods allowed at a concessional duty of 5% for the manufacture of semiconductors.

9. In the Budget 2001-02, the Central Excise Duty structure has been rationalised from multiple rates to single rate of 16% and single rate of Special Excise Duty (SED) @16%.

10. Information Technology Software is exempted from Customs and Excise Duty.

11. EOU/EPZ/STP/EHTP units are exempted from payment of Income Tax on export profits, upto 2010, in terms of Sections 10A and 10B of the Income Tax Act.

12. Exemption of withholding tax on interest on External Commercial Borrowings (ECBs) has been extended to the IT sector.

13. Definition of Computer Software, as in Section 80 HHE of the Income Tax Act has been widened to include transmission of data.

14. Benefit of Section 80 HHE is available to supporting Software developers.

15. Income by way of dividends or long-term capital gains of a Venture Capital Fund or Venture Capital Company from investment made by way of equity shares in a Venture Capital Undertaking, which has been expanded to include the Software and IT sectors, will henceforth not be included in computing the total income.

16. To give thrust to Venture Capital finance, SEBI has been made the single point nodal agency for registration and regulation of both domestic and overseas Venture Capital Funds.

17. There will be no tax on distributed or undistributed income of Venture Capital Funds. The income distributed by the VCFs will only be taxed in the hands of the investors at the rates applicable to the nature of the income. VCFs will continue to be eligible for exemption even if the shares of the VC undertaking in which the VCFs have made the initial investment are subsequently listed in a recognised stock exchange in India.

18. Under policy on portfolio investment, Foreign Institutional

Investors (FIIs) are permitted to invest in a company upto an aggregate of 24% of equity shares, extendable upto 40% subject to approvals. This limit has been raised from 40% to 49% in the Budget 2001-02.

19. Under the Employee Stock Option Scheme, income tax payable on income from GDRs purchased in foreign currency by a resident employee of IT software and service companies, shall be at a concessional rate of 10%

20. Tax holiday under provisions of section 80-IA (Infrastructure Status) has been extended to Internet Service Providers (ISPs) and broadband Network providers.

21. Two-way fungibility has been permitted for ADRs/GDRs. Local shares can now be reconverted into ADRs/GDRs, subject to sectoral caps.

22. To induce more investment for R&D activities, a weighted deduction of 125% on the sums paid to any university, college or an institution or a Scientific Research Association for the purposes of scientific, social or statistical research has been provided.

23. Information Technology Act 2000 has been enacted. This act deals with Cyber Security, Cyber Crime and other information security related legal aspects. This will encourage expansion of e-commerce through internet.

Development of computer hardware

2045. SHRI C.O. POULOSE: Will the Minister of INFORMATION TECHNOLOGY be pleased to state:

(a) the names of the indigenous companies which have developed CPU (hardware) for the computer;

(b) how long the country would be dependent on imported computers; and

(c) what steps Government propose to develop computer hardware?

THE MINISTER OF INFORMATION TECHNOLOGY (SHRI PRAMOD MAHAJAN): (a) to (c) Only two companies in